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THE INTERIM

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HELENA, MONTANA

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LEGISLATIVE AUDIT COMMITTEE

Committee Meets in November...The Legislative Audit Committee met November 7 in Room 104 of the Capitol Building. The following reports were presented.

FINANCIAL-COMPLIANCE AUDIT REPORTS:

Montana State Library Commission (97-21)

This financial-compliance audit report contains the results of the audit of the Montana State Library Commission for the two fiscal years ending June 30, 1997. There are no audit recommendations directed to the State Library as a result of the audit. An unqualified opinion was issued on the financial schedules contained in the report. This means the reader may rely on the presented financial information and the supporting data on the Statewide Budgeting and Accounting System.

FINANCIAL AUDIT REPORTS:

Board of Housing (97-7)

A financial audit of the Montana Board of Housing was completed for fiscal year 1996-97. The unqualified independent auditor's report on the Montana Board of Housing's financial statements was included in the Montana Board of Housing's annual report and was not published as a separate report. To obtain a copy of the report please contact the Montana Board of Housing at (406) 444-3040.

Guaranteed Student Loan Program (97-6)

The financial audit of the Montana Guaranteed Student Loan Program was performed for the fiscal year ending June 30, 1997. This report contains the audited financial statements and accompanying notes for fiscal year 1997. An unqualified opinion was issued on the financial statements. The opinion means the reader may

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rely on the financial statement information presented. The current report contains no recommendations to the program. The prior report also contained no recommendations.

PERFORMANCE AUDIT REPORTS:

Teachers Certification (96P-09)

Performance audit work at the Teacher Education and Certification Department within the Office of Public Instruction (OPI) concentrated on examining the roles of the involved groups and identifying potential areas for increased efficiency. Overall, the teacher certification process in Montana is operating as intended. Although the system has inherent inefficiencies, few concerns were identified. Suggestions and improvements noted in the report address the following areas:

- ▶ Streamline the process by eliminating the Request for Initial Application Materials form and overlapping correspondence files.
- ▶ Examine cost-effective alternatives to upgrade the computer system.
- ▶ Contract for microfilming services.
- ▶ OPI, the Board of Public Education, and the Advisory Council should seek legislation to redefine the funding structure for this process to provide support for program administration.
- ▶ The Board should seek legislative clarification on specific academic and professional guidelines for Class 7 certification.

Medicaid Clinical Laboratory Services Payments (97P-02)

This limited scope review presents information on Medicaid Clinical Laboratory Service Payments administered by the Department of Public Health and Human Services. The report concludes the Department does not have adequate controls to ensure correct payments to providers for clinical laboratory services. Recommendations include: establishing edits to detect potential unbundling of clinical laboratory services and duplicate payments; developing procedures to ensure hospital designations are correct and updated in a timely manner; and changes to payment methodologies are complete, correct and implemented in a timely manner. Implementing the recommendations would improve controls over clinical laboratory service payments, ensuring payments to providers are correct.

Personnel Classification System (97P-08)

This performance survey report presents information on personnel classification administered by the Department of Administration. The report concludes

a performance audit of the personnel classification system should be conducted after a decision is made regarding actual implementation of a new competency-based system. The report outlines the current classification system, delegation of classification authority to other agencies, and the proposed competency-based classification system. From the limited review, it appears the Department has minimal controls to ensure agencies are complying with applicable statutes and rules. Further audit work would determine if the Department is effectively performing its duties as outlined in statute. A review of the authority of other state agencies would also be completed to determine the extent of controls necessary to ensure proper and equitable operation of the classification system.

PERFORMANCE AUDIT FOLLOW-UP REPORTS:

Water Development Follow-up (97SP-70)

In 1994, a performance audit of the Water Development and Renewable Resource Development Programs at the Department of Natural Resources and Conservation was completed. A follow-up was conducted to determine the implementation status of the 14 recommendations made during this audit. The recommendations related to monitoring public grant and loan projects, administering the private loan program, and improving management controls over program operations. The follow-up found that 11 of the recommendations were either implemented or being implemented while three recommendations were not implemented. The Department had implemented one of these recommendations shortly after the report was issued and was in the process of implementing the other two.

ELECTRONIC DATA PROCESSING AUDIT REPORTS:

Adult Correctional Information System (97DP-07)

This audit reviewed electronic data processing controls over the Department of Corrections' Adult Correctional Information System (ACIS). The report includes 16 recommendations for improving general and application controls. The audit concluded that overall general and application controls do not provide for controlled application processing for ACIS. Recommendations address improving data integrity and report accuracy, electronic access controls, and disaster recovery.

Child & Adult Protective Services Program (97DP-06)

This is an audit of the Child and Adult Protective Services System (CAPS) at the Department of Public Health and Human Services. CAPS is an information system designed to support the social services programs administered by the Department's Child & Family Services Division. The audit includes recommendations to improve system development and application controls. Based on the audit findings, application controls are not adequate to ensure reliable processing results.

CONTRACT AUDIT REPORTS:Montana State Lottery, Report on Cash Drawings (97C-02)

The Legislative Audit Division, in cooperation with the Montana Lottery, contracts with an independent accounting firm to perform agreed-upon procedures during Montana Cash drawings. Those procedures include:

- ▶ witnessing and reporting on all Montana Cash drawings;
- ▶ examining all lottery drawing equipment prior to and after each related drawing; and
- ▶ testing compliance with applicable statutes and regulations.

Anderson, ZurMuehlen and Company, P.C., performed the procedures for the fiscal year ending June 30, 1997. In addition to the agreed-upon procedures, the independent accountant is required to report on serious inadequacies in operating controls and procedures, activities not authorized by the Legislature, and recommendations to the State and the Lottery. For the fiscal year ending June 30, 1997, the independent accountant had nothing to report in those areas.

Montana State Lottery, Financial Statements (97C-01)

State law (23-7-410, MCA) requires an annual audit of the financial statements of the Montana Lottery. The Legislative Audit Division, in cooperation with Montana Lottery, contracts the audit with a private accounting firm. Olness and Associates, P.C., performed the audit for the fiscal year ending June 30, 1997. An unqualified opinion on the Lottery financial statements was issued for that period.

Montana Medical Legal Panel (97C-03)

Under contract with the Legislative Audit Division, Henry Fenton, CPA, conducted the financial-compliance audit of the Medical Legal Panel for the year ending December 31, 1996. The auditor made no recommendations and gave an unqualified opinion on the financial statements presented.

Next Meeting in January...The next meeting of the Legislative Audit Committee is tentatively scheduled for January 16, 1998.

COMMITTEE ON INDIAN AFFAIRS

Committee Meets in Helena...The Committee on Indian Affairs held its third meeting of the interim in Helena on Thursday, November 6. The purpose of the meeting was to discuss the impacts of welfare reform on Indian reservations.

Committee Hears About Health Insurance for Uninsured Children...Nancy Ellery of the Department of Public Health and Human services (DPHHS) spoke to the Committee about the new federal children's health insurance program. This past summer Congress appropriated \$24 billion to assist states in providing health

insurance to low-income children who do not qualify for Medicaid and are not covered by private health insurance. The money will be distributed to the states in the form of grants. Montana is eligible to receive \$47 million over a five-year period; \$10 million in the first year. However, Montana has to provide a 20% state match. For the first year, this means about \$2.5 million. There are approximately 20,000 eligible children in Montana. The program is not federally mandated. There are very few federal requirements attached to the program. States are free to accept the money or not and are free to design their own programs. DPHHS has created an advisory council that will hold meetings across the state to gather information about the design of the program. DPHHS will design the program but will not run it. The program will be operated by private insurance companies.

Indian children are eligible for the program. In Montana, there are 2,000 eligible Indian children. Even though Indian children are generally covered by the Indian Health Service, IHS is a payor of last resort and only covers about 60% of the health needs on reservations. Many Indian children do not have other insurance coverage. Ms. Ellery asked the Committee to write a letter to Montana's congressional delegation urging a technical amendment to the federal legislation that would alter the Montana allocation. In the original allocation formula, Indian children were not counted but the state was told that Indian children needed to be included in the program. Ms. Ellery and Committee staff will draft a letter for consideration by the Committee at its January meeting.

Committee Hears About FAIM...Kim Brown, DPHHS, provided the Committee with an overview of welfare reform in Montana. Montana began its welfare reform in 1993 with the Families Achieving Independence in Montana (FAIM) program. Montana sought and received a package of waivers from the federal government and implemented FAIM in February 1996. Federal welfare reform was implemented in August 1996 with the passage of the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA). Under PRWORA, the federal government provides funding to states for welfare through the Temporary Assistance to Needy Families (TANF) grant.

When FAIM was implemented in 1996, only the Fort Belknap Reservation was included because it was the only reservation in Montana that did not operate its own JOBS program. The other six reservations were excluded from the state program. However, PRWORA required that all Indian tribes be covered under the state welfare program, regardless of the presence of a JOBS program, unless a tribe opted to administer its own TANF grant. To date, no tribe in Montana has exercised this option.

Jon Meredith, DPHHS, stated that the tribes were very unfamiliar with FAIM in the beginning because most of them had not been involved in the program's inception. With the passage of PRWORA, the tribes found themselves part of a welfare program in which they had little input. The 1997 Legislature provided some money in House Bill No. 2 to assist tribes with the transition to the state welfare program. The money will be used to create tribal welfare liaisons with the state, establish reservation advisory councils, and write reservation community operating plans. What will make welfare reform so difficult to achieve on reservations is the lack

of work sites and work experience sites.

This past summer, the Congress passed the Balanced Budget Act that included some technical amendments to PRWORA. One of those amendments exempts welfare recipients from the five-year cap on cash assistance if they reside on reservations where the unemployment rate is 50% or more. In Montana, five reservations meet the unemployment rate requirement. Mr. Meredith stated that this exemption presents some very real problems for welfare reform on these five reservations. If there is no limit on reservations, there may be some pressure to shift dollars to people residing off-reservation who are subject to the five-year limit and will need to find jobs in that time period. This could serve as a real disincentive to creating jobs on reservations.

Committee Hears From County Public Assistance Directors...A number of county public assistance directors attended the meeting to offer their perspective on the impacts of welfare reform on the reservations located within their counties. The directors also expressed concern over the exemption from the five-year cap. The exemption also applies to non-Indians residing on the affected reservations. In addition, three towns - Harlem, Dodson, and Hardin - are included even though they are located off the reservations but are defined as Indian country in the technical amendments. The counties are concerned that people will move on to the affected reservations or towns in order to qualify for the exemption. This will not only impact county welfare budgets but other services as well, such as schools and law enforcement. County directors were also concerned that tribal NEW programs are underfunded and are unable to serve their entire client population. Those who are unserved then come to the counties for assistance but the counties do not have the funding and the programs necessary to serve them. In addition, because the tribal programs are underfunded, they cannot provide the same level of services as the counties.

Committee Hears From Tribes...Representatives from four tribes spoke to the Committee about welfare reform on their respective reservations. Their biggest concern is the lack of jobs on reservations in which to place their welfare clients. They also expressed concern that the exemption from the five-year cap would serve as a disincentive to create those jobs. Indian people do not want welfare; they want jobs. The tribal representatives were concerned that there had been little tribal input into the creation of welfare reform; it had simply been imposed upon them. Indian clients lack understanding of how the program works and what is expected of them. As a result, they are often sanctioned for failure to comply. The state will be punished if it does not meet the work participation rates required by PRWORA. It would be to the state's advantage to work with the tribes to create those necessary jobs.

Tribes have the option of administering their own TANF grants under PRWORA. Currently, nationwide there are less than 10 tribes doing so. However, seven tribes in South Dakota have recently formed a consortium to operate a program separate from the state. Two tribes in Montana, Fort Belknap and Northern Cheyenne, are exploring the possibility of operating separate programs. Unfortunately, the way the TANF funding works, if a tribe opts to administer its own TANF grant, the tribe

loses about one-third of the funding that would be available to it under the state-operated program.

Rep. Cobb Offers Recommendations... Representative John Cobb offered the Committee some suggestions for addressing some of the problems identified by state, county, and tribal people. His concern is that if the state and the tribes wait too long to formulate plans, the federal money will be gone. He is also concerned that while caseloads across the state are down, Indian caseloads have remained static. He suggested that the Committee ask the DPHHS and the tribes for recommendations for changes to PRWORA, especially the exemption from the five-year cap. He also suggested that the Committee consider legislation that would guarantee that tribes who opt to administer their own TANF grants would have the same amount of money they would have under the state-administered program. He also felt that counties should be given financial incentives to reduce caseloads; they should be allowed to keep any savings they realize from reduced caseloads.

Committee to Consider Proposals in January... After much discussion, the Committee asked staff to:

- ▶ work with Nancy Ellery to draft a letter to Montana's congressional delegation asking for a change in the allocation formula for the children's health insurance grant; and
- ▶ work with Rep. Cobb to draft his proposals as legislation.

The Committee will consider both the letter and the proposed legislation at its meeting on January 9, 1998, in Helena. At that same meeting, the Committee will begin working on some economic development proposals for Indian reservations.

INTERIM PROPERTY TAX COMMITTEE

Interim Property Tax Committee Goes West... The Legislature's Interim Property Tax Committee, created by Senate Bill 195, will meet in Hamilton and Missoula on December 11 and 12, respectively. The Committee will hold a work session on the afternoon of December 11 at the Hamilton Public Library and will conclude the day's work with a public hearing the evening of the 11th. During the work session, the Committee will continue its review of the tax systems used in surrounding states. The other major agenda topic will be a seminar, conducted by DOR staff for the benefit of the Committee, on the principles and practice of valuing centrally assessed property. Following the seminar, the Committee will hear from telephone utilities, telephone cooperatives, and others on issues resulting from the restructuring of the telecommunications industry, especially as those issues affect or are affected by property taxation.

Subsequently, testimony and comments from locally-elected officials and from DOR field staff will be heard. The day will conclude with a public hearing, also at the Hamilton Public Library, focused on the challenges and problems that have resulted

from rising market values, legislative actions and voter initiatives, changes in the state's and local economies, federal mandates, and so forth faced and that are faced by local governments. The work session will be the Committee's fourth such session of an anticipated 11 meetings.

On Friday, December 12, the Committee will relocate to the Missoula City Council Chambers for a public hearing. The hearing will begin at 9 a.m. and continue through the morning and early afternoon. The hearing in Missoula is scheduled to conclude by 2 p.m.

Committee to Begin Proposing Options...Over the coming months, Committee members will begin to propose options for revising, reforming, or replacing the property tax system for consideration by the full Committee. The "options proposal and consideration" phase of the study will continue through June, with the study and the Committee's activities concluding in September 1998.

Committee to Meet in Center of State...Following the meeting of the Interim Property Tax Committee in Hamilton and Missoula, on December 11 and 12, respectively, the Committee will travel to Lewistown on January 29 where the agenda will focus on "acquisition value" and California's Proposition 13. Following the Lewistown meeting in January, the Committee will continue its journeys for the remainder of the interim.

Future venues will be announced in forthcoming issues of *THE INTERIM* newsletter. Legislators from within the general geographic area of future meetings will receive individual notice of the meetings. For further information, including a schedule of Committee meeting dates and cities, please contact the Legislative Services Division.

COMMITTEE ON CHILDREN AND FAMILIES

Committee to Follow Welfare Study...The Legislative Council's establishment of the Subcommittee on Welfare and Child Support Enforcement Programs (Subcommittee) has sparked some lively conversations in the meetings of the Joint Oversight Committee on Children and Families. During its last meeting on November 13 and 14, the Committee unanimously voted to send a letter to the Subcommittee members, Speaker Mercer, President Aklestad, and Laurie Ekanger, discussing the Committee's suggestion for the Subcommittee's study. Essentially, the Committee on Children and Families is encouraging the Subcommittee to approach the study on two levels: to design an alternate welfare plan for the state in the event that the 1999 Legislature passes on federal welfare dollars; and to conduct a thorough, objective study of FAIM, Montana's current welfare system, to determine if it is working and to identify where people are going who are leaving welfare. The Committee also suggests that the Subcommittee investigate other states' welfare programs, specifically Wisconsin and Wyoming. Wisconsin has a large Native American population and Wyoming is similar to Montana in its rural character. Both states have

reported early successes in their welfare reform initiatives, and the Committee believes Montana could learn from their experiences. The Committee on Children and Families is convinced that only through the two-track approach to the study will legislators in the 1999 Session be able to make informed decisions affecting the future of Montana's welfare system.

Committee Hears Variety of Updates...During the 2-day meeting, the Committee also heard updates on the Children's Health Insurance Program, the activities of the Committee on Indian Affairs and the Correctional Standards and Oversight Committee, mental health managed care, and the Interagency Coordinating Council for Prevention Programs. Healthy Mothers/Healthy Babies presented information on its Kids Count Data Book, and the Montana Council for Families addressed child abuse and neglect.

Committee Hears About Screening for Newborns...Dr. Michael Spence, the State Medical Officer, provided information on universal hearing screening for newborns. Dr. Spence has traveled the entire state discussing with health care professionals the case for implementing automatic hearing tests for newborn babies. The equipment, which is portable and costs from \$6,000 on up, sends a series of clicks into a baby's ear while the computer measures the response of the eardrum. Dr. Spence's goal is to encourage all facilities where children are born to acquire and use the device. He told the Committee that early detection has the potential to solve numerous difficulties to which hearing-impaired children are subject.

Committee to Meet in January...The Committee on Children and Families will meet next on January 8. Contact Leanne Kurtz at 444-3593 or <lekurtz@mt.gov> with any questions about the Committee.

ENVIRONMENTAL QUALITY COUNCIL

EQC Meets in November...The Environmental Quality Council (EQC) met on Thursday and Friday, November 13 and 14, in Missoula at the Boone and Crockett Club. Set out below is a summary of highlights from those meetings and information on upcoming EQC activities.

Montana Growth Issues...The Growth Subcommittee met on November 13 in Missoula at the Boone and Crockett Club. The Subcommittee had a great turn-out and a fascinating panel discussion. The purpose of the meeting was to determine the scope and direction of the Growth Study. At the Subcommittee's request, staff provided a compilation of growth initiatives in other Rocky Mountain states, a summary of the growth issues that the EQC identified and prioritized in September, and an inventory of what information various state agencies provide.

The Subcommittee also finalized a survey to send out to counties to determine what growth issues, if any, the counties are grappling with. The panel

discussion of community-wide techniques that counties are currently using and what techniques work and don't work provided the Subcommittee with some good information. Missoula Mayor, Mike Kadas; the Missoula County Commissioners; Greg Oliver, Director of Health Promotion for the Missoula City-County Health Department; Colleen Dowdall, Assistant County Attorney; and Tim Schwecke, from the Ravalli County Planning Department participated in the panel. The next Subcommittee meeting is scheduled for January 8, 1998.

For more information, contact Martha Colhoun, EQC staff, at 444-3742.

Water Policy...The EQC's Water Policy Subcommittee also met on November 13 in Missoula. They reviewed their draft work plan, and heard a briefing from EQC staff on water rights and instream flow programs (in preparation for an instream flow presentation the following day). The remainder of the meeting focused on implementation of HB546, the bill that required Department of Environmental Quality (DEQ) to assess the quality of Montana's waters and develop strategies (TMDLs) to address water quality problems. DEQ staff provided a training session and answered questions from the Subcommittee and the audience.

The Subcommittee then heard from the U.S. EPA's regional TMDL expert on case studies of TMDL implementation at varied scales throughout the Rocky Mountain region. Ruth Watkins discussed the Voluntary Nutrient Reduction Plan for the Clark Fork River, and Alan Rollo discussed potential TMDL applications in three smaller watersheds near Great Falls.

Later in the evening, the Subcommittee meeting served as a forum for an inter-jurisdictional discussion of a specific TMDL policy issue. The issue was the "stumbling block" that septic effluent nutrient loading is posing to the nutrient reduction efforts underway for the Clark Fork river. Jim Carlson (Missoula City-County Health Director) described the issue and specific questions the County has posed to DEQ regarding state interpretation of specific environmental laws. DEQ's Chief Legal Counsel provided the results of his research into Mr. Carlson's questions, and various commenters provided their perspectives on the issue and suggestions for Council action. The meeting was productive, well-attended, extremely relevant to the Missoula area, and gave the Subcommittee a generous sampling of the interests and issues related to water quality improvement efforts in Missoula and statewide. Staff will be following up on several specific questions raised at the meeting and will report their results at the next Subcommittee meeting scheduled for January 8 in Helena.

For more information, contact Kathleen Williams, EQC staff, at 444-3742.

Waste Tire Study...The Waste Tire Study working group held a full day meeting on November 12 to review waste tire management alternatives in greater detail. More than 28 groups or individuals attended this second meeting of the EQC study group, organized to participate in the study required by Senate Bill 332. Information was presented regarding the comparative costs and benefits of scrap tire shredding, slicing, baling, incinerating, retreading, and landfilling. The group discussed the feasibility of projects which utilize scrap tires as supplemental fuels and as

engineering materials in road construction. Montana scrap tire management requirements, recycling policies, and tax incentives were reviewed. Staff provided information to the group regarding tire management programs in similar or adjacent states.

The working group has concluded that it is now prepared to identify specific problems and recommend possible solutions to the Environmental Quality Council. Staff will be providing a draft proposed list of problems, solutions and recommendations to the group in advance of its next meeting sometime in May or June 1998. A succinct report based on staff research and information presented by working group members will be developed to support the group's final recommendations.

For more information contact Larry Mitchell, EQC staff, at 444-3742.

Compliance and Enforcement Reporting...The Council agreed on draft guidance for the natural resource and environmental compliance and enforcement reporting required by passage of HB 132 during the last session. The Departments of Environmental Quality, Natural Resources and Conservation, and Agriculture are required to report information on what they are doing to promote compliance with environmental laws, what proportion of their regulated communities are in compliance, what their trends in non-compliance are, and what they are doing about non-compliances.

For more information contact Kathleen Williams, EQC staff at 444-3742.

EQC Meeting Generally...The Council heard an update from Mick Robinson, regarding the DEQ reorganization and resignation issues. The Council requested that DEQ director, Mark Simonich come before the EQC at its next scheduled meeting to answer questions. The Council also received an update on three instream flow programs in Montana and heard from the public regarding general environmental issues of concern. The Council also toured the Stone Container facility.

Next EQC Meeting....The next EQC meeting is tentatively scheduled for January 8 and 9, 1998.

For more information please contact the EQC staff at 444-3742 or via the Internet at <teverts@mt.gov>.

COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Committee Conducts Public Hearings...To kick off its evaluation of the Public Employees' Retirement System (PERS) as directed by House Bill No. 90, the Committee on Public Employee Retirement Systems (CPERS) conducted two public

meetings in November using the statewide video-conferencing system. These meetings were well-attended and Committee members fielded numerous comments and questions about what changes were being contemplated for PERS. Many participants voiced concern that, as a result of the changes that must be recommended by CPERS, the Legislature would reduce their retirement benefits.

House Bill No. 90 directed CPERS to recommend to the next Legislature changes to PERS that will provide increased portability and more flexibility for investment, contribution, and benefit payout choices, which are typically design features associated with a defined contribution type of retirement plan. However, the bill also requires that the retirement plan retain a design component to provide a specified benefit in retirement, a feature of a defined benefit plan. Changes made to PERS cannot, by law, affect the benefits of current PERS retirees. Furthermore, benefits that have already been earned by current PERS members and to which current members are entitled by virtue of their employment are also protected by statutory and constitutional law and cannot be reduced. Finally, the financial soundness of the current PERS is protected by the Montana Constitution. Thus, changes must be prospective in nature.

CPERS to Continue Gathering Information...CPERS will continue its information-gathering effort through January, when several hundred PERS members will be asked to participate in focus group meetings throughout the state. Additionally, state and local government employers will be asked to participate in separate employer focus group discussions. The focus groups, aimed at identifying specific needs and objectives related to the PERS retirement plan, are being conducted by a consulting team from ASA. ASA is an actuarial benefit consulting firm experienced in retirement plan design and actuarial work. CPERS awarded ASA a consulting contract after a public bidding process that concluded in October.

CPERS Seeks Legislative Input...During the 1997 Session, legislative concern about the funding and design of Montana's defined benefit retirement plans led to extensive discussion about how the PERS retirement plan should be designed. To gain an objective analysis of policy goals, CPERS directed the ASA consulting team to assess the objectives of the Montana Legislature as the public body responsible for setting retirement policy. To that end, ASA's consulting team has engaged CPERS members in discussions about policy goals relevant to the design of the public retirement plans.

To open the door for broader legislative input, CPERS invites legislators wishing to discuss legislative policy goals with the consulting team to call the CPERS Research Analyst, Sheri Heffelfinger, at 444-3596, prior to January 30, 1998.

CORRECTIONAL STANDARDS AND OVERSIGHT COMMITTEE

Committee Tours Women's Prison...The Correctional Standards and Oversight Committee met November 7 at the Montana Women's Prison (MWP) in Billings. The Committee toured the MWP and heard a presentation on long-range building plans that will be proposed by the Department of Corrections. The MWP is experiencing overcrowding and as of November 24, the population is capped, which allows the Department to contract for space for inmates, potentially out-of-state.

Committee to Tour New Juvenile Facility in Boulder...The Committee will meet on the afternoon of January 22 in Boulder to tour the new juvenile girls facility and to receive an update on juvenile issues. The meeting will continue January 23 in Helena and will focus on the long-range building and 5-year plan for the correctional system.

As the full Committee continues to familiarize themselves with the facilities and overall system, the Subcommittees are working on specific tasks and study.

Jail Standards...The Montana Sheriffs and Peace Officer's Association has received technical assistance from the National Institute of Corrections and is progressing on developing their recommendations to the full Committee. They have almost completed updating their voluntary standards, but are researching minimal mandatory standards and how to administer and enforce them. The next meeting will be January 7, 8, and 9 in Helena.

Juvenile Issues...The Subcommittee is basically monitoring numerous projects and programs by the Department of Corrections, the Montana Juvenile Probation Officer's Association, the Youth Justice Council, and interagency efforts by the Department of Public Health and Human Services, Office of Public Instruction, and the Department of Corrections. On the agenda for the next meeting is a review of the juvenile detention standards' administrative rules that are being proposed by the Department of Corrections. The next meeting will be the afternoon of December 15 in Helena.

Planning and Projections...The Planning and Projections Subcommittee is pursuing different ways to present information to the Legislature regarding population projections, per diem costs, trend data, and correctional terms. The next meeting will be December 2 in Helena.

Private Prisons and Programs...This Subcommittee has organized an Ad Hoc Committee on Sentencing composed of attorneys from the State Bar Association, District Court Judges, and former members of the Montana Sentencing Commission. This Committee is reviewing three main areas of study: data collection, understanding of current sentencing structure, and intermediate sanctions.

The Subcommittee is also looking into alternatives to incarceration and monitoring current projects including the development of a pre-release program with

a concentration on chemical dependency and a DOC Task Force on Effective Management of Sex Offenders. The Subcommittee is also looking into restorative justice programs and intermediate sanctions. The next meeting will be December 12 in Helena.

If you need additional details on subcommittee meetings or are interested in being placed on the interested persons list for the Correctional Standards and Oversight Committee or any of its subcommittees, please contact Susan Fox at 444-3064 or by e-mail at <sfox @mt.gov>.

REVENUE OVERSIGHT COMMITTEE

Committee Reviews Utility Taxation...The Revenue Oversight Committee met November 21 in Helena. As part of the tax analysis of the electric and natural gas industries required by SB 390 and SB 396, a major portion of the meeting was devoted to reviewing the taxation of utilities in general and electric and natural gas utilities in particular. Dave Bohyer, Director, Office of Research and Policy Analysis, discussed a series of taxation graphics prepared for the interim Property Tax Committee. The most telling aspect of the graphics was the shift in the property tax base since 1972. In that time, the proportionate share of statewide taxable valuation of utilities has increased from 15.5% of the total to 28.4%. Similarly, the proportionate share of class four property (residential and commercial real property) has increased from 35.6% of the total to 47.7%. The proportionate shares of agricultural property, including livestock, and personal property have fallen since 1972. As a result, owners of class four property and utilities are bearing a larger share of total property taxes paid.

Jeff Martin, Committee staff, presented an analysis of property taxes paid by utilities for tax year 1996. Martin pointed out that the term "utilities" refers to a wide variety of property including class nine electric, natural gas (including pipelines), and telecommunication utilities; rural electric and rural telephone property (class five and seven); and railroad and airline property (class twelve). In tax year 1996, class nine electric and natural gas utilities accounted for 17% of the statewide taxable value and paid an estimated 12.4% of total property taxes. Telecommunications accounted for 4% of total statewide taxable value and 4.4% of total taxes paid. The remainder of the so-called utilities accounted for lesser amounts. Martin noted that changes to the class nine property tax rate because of competition will affect other class nine property as well as railroad and airline property. Smaller ripple effects will occur if changes are made to the tax rate applied to rural electric cooperatives. Martin's report also included information on the taxable value of electric generation property as well as a summary of all taxes paid in Montana by regulated electric and natural gas utilities.

Gene Walborn, Property Assessment Division, discussed the methods used to value centrally assessed property. Dennis Burr, Montana Taxpayers Association, reported that the electric industry (including rural electric cooperatives) and the

telecommunications industry are looking at alternatives to replace property tax revenue in the event that lower property tax rates are applied to these industries.

Committee Hears Other Reports... Bill Salisbury, Department of Transportation reported on the renewal of a cooperative gas tax agreement between the state and the Rocky Boy Indian Reservation. Jim Stipcich, Montana Higher Education Student Assistance Corporation, reviewed the status of the Family Education Savings Act (HB 536) enacted during the last legislative session. The legislation allows families to deduct up to \$3,000 for contributions to a savings account for postsecondary education. The oversight committee created by the legislation is reviewing proposals from financial institutions to administer the savings accounts. Mary Bryson, Director, Department of Revenue, presented a report on the Department's Project MET. The project includes a large-scale reorganization of the Department with plans to become the central tax and fee collection agency for the state.

Revenue Estimating Subcommittee Meets... The Revenue Estimating Subcommittee also met November 21. The primary purpose of the meeting was to review revenue estimating profiles for business taxes prepared by the Legislative Fiscal Division and the Department of Revenue. The Subcommittee also adopted a schedule to review similar profiles for natural resource taxes, interest earnings, consumption taxes, and all other general fund revenue.

Next Meeting in January... The Revenue Oversight Committee is scheduled to meet January 30.

SUBCOMMITTEE ON WELFARE AND CHILD SUPPORT ENFORCEMENT PROGRAMS

To Hold First Meeting in December... The Subcommittee on Welfare and Child Support Enforcement Programs will hold its first meeting on Tuesday, December 9 in Room 437 of the Capitol building. The meeting will begin at 9 a.m. The purpose of the meeting is to elect officers and adopt a study plan. Mary Ann Wellbank of the Child Support Enforcement Division will address the Subcommittee on the implementation of the provisions of Senate Bill No. 374 passed by the 1997 Legislature.

Members of the Subcommittee are Senators Don Hargrove, J.D. Lynch, Chuck Swysgood, and Mignon Waterman and Representatives Peggy Arnott, Beverly Barnhart, Duane Grimes, and Diane Sands.

For more information about the Subcommittee or to be placed on the interested persons' mailing list, please contact Connie Erickson at the Legislative Services Division, 444-3064 or by e-mail at <cerickson@mt.gov>.

THE BACK PAGE

"Today, the monolith of the Information Superhighway technology is traveling at warp speed and it is imperative that legislative...staff, as caretakers of the legislative institution, do not resist the future but seek to better understand, control, and develop this technology for the legislature of the 21st century."

Jeff Finch, Deputy Clerk for Legislative Operations, Virginia House of Delegates as written in the Journal of the American Society of Legislative Clerks and Secretaries, Spring 1997.

In this month's "The Back Page", Leanne Kurtz discusses computer software changes being considered by the state and how those changes will affect legislative operations.

DESKTOP SOFTWARE AND THE LEGISLATURE

By Leanne Kurtz, Research Analyst
Legislative Services Division

INTRODUCTION

When a state employee sits down at the computer to write a memo, draft a bill, calculate budgets on a spreadsheet, send an electronic message to a fellow employee anywhere in the state, or write the Great American Year End Progress Report, chances are that employee will be using WordPerfect to wax administrative, Lotus to calculate, and ZipOffice to communicate, all within a Microsoft Windows operating system environment. These products in their various versions are the current "state standard" for employee use. Staff at the Department of Administration's Information Services Division (ISD) have entered into agreements with the companies that make the products, arranged favorable purchase prices, and become proficient in providing technical support to state agencies as they develop and use the software. Products currently considered the state standards in Montana have been in use since the mid-1980s when personal computers first began appearing en masse on state employee desks. For a number of reasons that will be discussed in the next few paragraphs, the time has come to re-evaluate the state standards and begin a grand-scale fundamental shift. And as the state standards go, so must the Legislative Branch and the way bills are drafted and processed.

MT PRRIME

On October 1, with over 50 staff nestled tightly into Capitol office space recently vacated by the Office of Public Instruction, directors of the Montana Project to Reengineer the Revenue and Information Management Environment (MT PRRIME) officially launched the daunting 2-year venture. The project will effectively replace all of the state's core operating systems (involving budgeting, revenue, property management, and human resources), thus changing the way the state "does business" electronically. Numerous decisions were made during the months preceding the MT PRRIME kickoff; the most significant decision and that with potentially the greatest impact on "Joe State Employee" was the decision to contract with PeopleSoft, a software package implemented in part with features developed in Microsoft Word and Microsoft Excel, Bill Gates' word processing and spreadsheet products. When MT PRRIME is implemented, 20% of the state employee personal computers will be used with PeopleSoft features.

In January 1997, ISD released a Request for Proposals (RFP) for a new state e-mail product, recognizing that the current state standard for e-mail, Attachmate Corporation's ZipOffice, was no longer meeting the state's needs, and since the product has been discontinued, ISD staff have been unable to obtain support from the company. This past summer, as decisions were being made with respect to MT PRRIME software, ISD delayed awarding any e-mail contract until impacts of MT PRRIME were considered. In October, the e-mail RFP was canceled and ISD approached the Information Technology Advisory Council (ITAC) with a desktop software "suite" strategy that would tightly integrate with the systems being developed by MT PRRIME.

The collection of products from various vendors currently in use by state government resulted from what is known as a best-of-breed strategy. Desktop word processing, e-mail, graphics, and spreadsheets were chosen independently, based on how well they would serve the purposes of the state's users. The suite strategy means that Montana would contract with one vendor (Microsoft, IBM/Lotus, or Corel, for example) to provide all of the products in an integrated package. A suite RFP was sent out earlier this month, and ISD expects to have the responses December 3 and a contract awarded by the end of January. Valid arguments exist for both suite and best-of-breed approaches. There are higher costs associated with implementing a software suite and the state will be reliant on a single vendor for all of its products. However, ITAC has voted to endorse the suite strategy for its advantages. According to material presented by ISD, a fully integrated suite should increase end-user productivity, reduce software licensing costs, and reduce support time, costs and effort.

IMPACTS ON LEGISLATIVE BRANCH

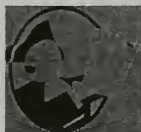
What does all of this mean to "Joe State Employee" in general and the Legislative

Branch in particular? Once ISD has determined which vendor will be supplying the products that will become the new state standard, it will begin deployment of the suite in March 1998. Each agency will be responsible for establishing a conversion schedule that meets with their respective needs. Subsection (2)(c) of 2-17-501, MCA provides that the Department of Administration must "review and approve agency specifications and procurement methods for the acquisition of software to ensure network compatibility and conformity with the statewide data processing plan." Essentially, agencies will have to convert to whatever the Department of Administration determines to be the state standard and "Joe State Employee" will have to learn how to use the software. This will cause varying degrees of angst among information technology staff in state agencies, depending on the complexity of the agencies' internal data systems and uses of word processing and spreadsheets.

For the Legislative Services Division (LSD), conversion to a desktop suite produced by a vendor other than Corel (the current owner of WordPerfect), presents a unique set of challenges. Last legislative session and for a number of previous sessions, LSD staff have crafted and processed bills in WordPerfect 5.1 for DOS, using an elaborate series of macros and programming specific to bill style. Similar systems using macros have been developed by the Branch to streamline other legislative support activities. For the last few years, LSD has been involved in a significant project to redesign core legislative systems, including bill drafting, bill status, journal, and committee minutes. This project, called LAWS (Legislative Automated Workflow System), should vastly improve LSD legislative information processes. Because development of LAWS was begun well before MT PRRIME and well before changes in state software had been seriously discussed, the system is being developed in WordPerfect version 8. LAWS is expected to be fully implemented by September 1, 1998 and in use for the 1999 Legislative Session. Bob Person, LSD Executive Director, has stated in a letter to the Joint Oversight Committee on State Management Systems that there is "some chance [LSD] will be in a position to convert the system to a state standard word processor other than WordPerfect in time for the 2003 or 2005 legislature," and that "to convert in time for 2001 would allow only one session of use to pay [LSD] back the development effort." He continues that "legislators who are observant as to what system may be used by bill drafters or committee secretaries are likely to notice WordPerfect still in use even after the turn of the century." As most who regularly use word processor software know, conversion of individual documents from WordPerfect to Microsoft Word or vice-versa, is relatively simple. Conversion of an entire system such as LAWS is quite another story. However, the initial planning and design of LAWS will remain intact and serve LSD technical staff well as they shift the system to another word processing product. While conversion will consume significant time, effort and planning on the part of all LSD staff, the Division is supportive of the state's strategic decision to move toward a software suite, and will do so within a "strategically sensible period of time," according to Person.

CONCLUSION

With easy passage in both houses of HB 188 (the information technology bonding bill that provided means of funding MT PRRIME and a number of other state information technology projects), members of the 1997 Legislature demonstrated that they recognized the importance of up-to-date, reliable information technology in state government. As the dollars authorized in HB 188 make their way to the agencies and projects for which they were intended, legislators, state employees, and the public will see myriad changes in the business practices and procedures of the state of Montana. For state employees and legislators, this fundamental shift and other changes attributed to advances in technology may be at times trying and difficult, but, as someone very wise probably once said, "Change is healthy. Let's hear it for change."



INTERIM CALENDAR

UNLESS OTHERWISE SPECIFIED,
ALL ROOM DESIGNATIONS ARE IN THE CAPITOL

DECEMBER

December 2, Planning and Projections Subcommittee

December 3, LFC Subcommittee on Earmarked Revenues and Statutory Appropriations, Room 104, 2 p.m.

December 4, Legislative Finance Committee, Room 104, 1 p.m.

December 5, Legislative Finance Committee, Room 104

December 5, TAC Universal System Benefits Program Funding Subcommittee, Room 437, 8:30 a.m.

December 9, Subcommittee on Welfare and Child Support Enforcement Programs, Room 437, 9 a.m.

December 11, Gambling Commission, Room 331, 9:30 a.m.

December 11, Interim Property Tax Committee, Hamilton Public Library, Hamilton

December 12, Interim Property Tax Committee, Missoula City Council Chambers, Missoula

December 12, Postsecondary Education Policy and Budget Committee, Room 104, 9 a.m.

December 12, Private Prisons and Programs Subcommittee, Room 108

December 15, Juvenile Issues Subcommittee, Room 104, 1:30 p.m.

December 25, Christmas, legal holiday

JANUARY

January 1, New Year's Day, legal holiday

January 8, Committee on Children and Families, Room 108

January 8, EQC Growth Subcommittee

January 8, EQC Water Policy Subcommittee

January 8 and 9, Environmental Quality Council, Room 104

January 9, Committee on Indian Affairs, Room 108, 9 a.m.

January 16, Legislative Audit Committee

January 22, Correctional Standards and Oversight Committee, Boulder

January 23, Correctional Standards and Oversight Committee, Helena

January 26, Transportation Funding Study Committee, Room 104

January 29, Interim Property Tax Committee, Lewistown

January 30, Revenue Oversight Committee

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